

Resolution No. R2024-09

Surrey Downs surplus properties suitability for housing and offering strategy

Meeting:	Date:	Type of action:	Staff contact:
Board	04/25/2024	Final action	Don Billen, Executive Director, PEPD Mara D'Angelo, Deputy Director, TOD Rebecca Brunn, Project Manager, TOD

Proposed action

(1) Declares certain surplus properties at Surrey Downs near East Main Station in Bellevue, Washington as suitable for development as housing; and (2) authorizes staff to offer the surplus properties for sale at fair market value to all interested parties.

Key features summary

- This set of two proposed actions advances disposition on surplus property south of East Main Station in Bellevue.
- In 2013, through Resolution No. R2013-14, Sound Transit acquired 11 parcels in the Surrey Downs neighborhood of Bellevue for East Link construction.
- In 2016, through Resolution No. R2016-21, the Board approved the chief executive officer's declaration of surplus for 10 of the 11 parcels. Those 10 parcels are currently vacant.
- This action declares the 10 surplus properties as suitable for development as housing and authorizes staff to offer the surplus properties at fair market value for development of housing.
- The real property identified in this requested action is depicted in Exhibit A.

Background

Properties

The Surrey Downs surplus properties were acquired in 2013 to support construction of East Link. The site comprises 11 contiguous parcels. Through Resolution No. R2016-21, the Board approved a declaration that 10 parcels are surplus. The eleventh parcel, EL168, is being retained for transit purposes.

The surplus parcels were appraised in 2023 for a combined value of \$12,075,000. Individual values are shown in the table below. Three parcels, EL157, 161 and 166, were purchased with federal assistance and require FTA approval for disposition.

Along the eastern property line, all 11 parcels abut the sound wall along the light rail alignment. A wall easement will be recorded to run with the parcels creating a setback from the sound wall and allowing Sound Transit to enter the lots for maintenance purposes. Additionally, a 30-foot no-build landscape buffer, as required by City code, has been constructed from the edge of the easement area.

The properties are zoned for single-family residential use with a minimum lot size of 10,000 square feet. Seven of the parcels are below the minimum lot size, and a lot boundary adjustment (LBA) will be recorded prior to closing to resize the parcels. As a result, one parcel will be eliminated and 9 parcels will remain. The LBA also redraws the property line of EL 168, the retained parcel, to include the length of the sound wall and area between the sound wall and light rail guideway. The LBA will be recorded before disposition is complete.

Table of parcels

ROW	Parcel	Tax ID	Original SF	Adjusted SF per LBA	Appraised value
EL 155	K	3210700080	12,819	10,001	\$1,400,000
EL 157	J	3210700070	10,818	10,001	\$1,300,000
EL 159	I	3210700060	9,616	10,062	\$1,300,000
EL 161	H	3210700040	10,615	11,008	\$1,325,000
EL 162	G	3210700030	9,887	10,000	\$1,350,000
EL 163	F	3210700020	9,633	ELIMINATED	
EL 164	E	3210700010	9,100	10,000	\$1,350,000
EL 165	D	3210600220	9,100	10,000	\$1,350,000
EL 166	C	3210600210	9,750	10,000	\$1,350,000
EL 167	B	3210600200	10,300	10,167	\$1,350,000

Development Analysis

Sound Transit staff conducted a development assessment of the properties reflecting anticipated property boundaries, potential development layout and program, and community engagement. This work concluded that housing was a suitable use for the site.

The site’s development capacity is constrained by current zoning and restrictive covenants that have run with the land since 1961. The covenants restrict development on the parcels to detached single-family homes. Staff concluded that HB 1110 does not supersede the existing restrictive covenants at this site.

Community feedback, as gathered through Sound Transit’s community engagement work, indicated that there is support for redeveloping these parcels as single-family homes.

(1) Declare the properties as suitable for development as housing;

Staff completed an evaluation and now recommends that these properties are suitable for development as housing based on the following considerations:

- Housing is a permitted use within the properties’ zoning district;
- Restrictive covenants limit how the property can be developed;
- The size and shape of the properties meet the zoning code’s minimum requirements for constructing housing;
- There are no known environmental conditions that would prevent housing construction.

Discretionary evaluation considerations

- Local land use plans support housing on the property;
- The community is supportive of housing on these sites;
- Appraisal identified single-family homes as a highest and best use of the site.

(2) Authorize staff to maximize revenue by offering the surplus properties for sale at fair market value to all interested parties for the development of single-family housing;

Staff recommends offering the properties to all interested parties for several reasons:

- The restrictive covenants restrict development on the Site;
- The site is zoned for single-family residential housing;
- Each parcel is valued at more than \$1 million;
- The appraised value of the parcels offers a revenue opportunity for the agency;
- The site location is within the limits of the Surrey Downs Community Club, whose character is low-density residential, and whose covenants require new developments to maintain the neighborhood's overall character.

RCW 81.112.350(b)(i) states that, unless certain exceptions apply, “a minimum of eighty percent of [Sound Transit’s] surplus property to be disposed or transferred, including air rights, that is suitable for development as housing, must be offered for either transfer at no cost, sale, or long-term lease first to qualified entities that agree to develop affordable housing on the property, consistent with local land use and zoning laws.”

Staff does not recommend offering these properties first to qualified entities or discounting the value of the properties to facilitate affordable housing. Given that each parcel comprising the Site is valued at more than \$1 million and is zoned and covenanted such that it can only support one home, staff has concluded that discounting the land value of the Site cannot yield commensurate affordable housing outcomes at this location. As such, staff recommend offering the site at fair market value to the broader real estate market for the development of single-family housing. This offering strategy will decrease the percentage of total surplus properties first offered to qualified entities from 96% to 92%. It is consistent with RCW 81.112.350 and will advance the revenue target established for surplus property in the agency’s long-range financial plan.

Future Board engagement

Should these actions be approved, staff will pursue disposition of the parcels later this year through a competitive process. Staff will return to the Board for approval of transactions in accordance with Sound Transit disposition policy.

Fiscal information

The agency’s long-range financial plan assumes \$130 million (YOES) from the sale and lease of the agency’s surplus real estate and joint development property. Due to Sound Transit’s affordable housing goals and requirements (as included in ST3), the Financial Plan does not assume that all surplus properties will be sold for fair market value. To date, the agency has received or contracted \$56.7 million, and the finance plan includes a forecast for the remainder of the target, including \$19.05 million awarded but not contracted projects.

Market appraisals in 2023 valued the disposable Surrey Downs parcels in bulk at \$12,075,000. The proposed action would direct staff to maximize revenue from the sale of these properties.

The sale of this property was already assumed in the long-range financial plan. If this action is approved, it would bring the total progress towards the target to \$68.8M out of the \$130M (YOES). As a result, this action does not have an impact on the affordability of the Financial Plan.

Disadvantaged and small business participation

Not applicable to this action.

Public involvement

Sound Transit conducted community engagement on the Surrey Downs Site in early 2024. Engagement efforts included meetings with key stakeholders to identify goals and help shape project outcomes, and solicitations for feedback through in-person efforts, by mail, and online. Goals identified by stakeholders include:

- General support for redeveloping the site from vacant lots to housing;
- City of Bellevue preference for some affordable housing
- Neighborhood support for market-rate homes
- Neighborhood support for single-family detached homes that comply with covenants

Time constraints

A one-month delay would not significantly impact the project.

Prior Board/Committee actions

Resolution No. R2018-10: Adopted an Equitable Transit Oriented Development Policy to reflect ST3 and RCW 81.112.350 direction to implement a regional equitable TOD strategy during planning, design, construction and operation of the high-capacity transit system and supersedes Resolution No. R2012-24.

Resolution No. R2016-21: Approved the chief executive officer's declarations that certain real properties acquired for the Airport Link, South 200th Link and East Link Light Rail projects are surplus and no longer needed for a transit purpose.

Resolution No. R2013-14: Authorized the chief executive officer to acquire, dispose, or lease certain real property interests, including acquisition by condemnation and pay eligible relocation and re-establishment benefits to affected owners and tenants as necessary for East Link Extension.

Environmental review – KH 3/18/24

Legal review – JV 3/26/24



Resolution No. R2024-09

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority (1) declaring the surplus properties at Surrey Downs near East Main Station in Bellevue, Washington as suitable for development as housing; and (2) authorizing staff to maximize revenue by offering the surplus properties for sale at fair market value to all interested parties.

WHEREAS, the Central Puget Sound Regional Transit Authority, hereinafter referred to as Sound Transit, has been created for the Pierce, King, and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Central Puget Sound Regional Transit Authority district on November 5th, 1996, November 4th, 2008, and November 8th, 2016, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, Sound Transit acquired the subject properties, located on 111th PI SE in Bellevue, in proximity to the East Main Link light rail station, for the East Link Light Rail Project; and

WHEREAS three of the subject properties were acquired using Federal Transit Administration (FTA) funds and therefore Sound Transit must consult with FTA regarding the manner of disposition; and

WHEREAS, the subject real properties described in the attached Exhibit A are no longer required for a transit purpose; and

WHEREAS, the subject real properties described in the attached Exhibit A have been declared surplus by the chief executive officer and, in 2016, through Resolution No. R2016-21, the Board approved the chief executive officer's declaration of surplus; and

WHEREAS, the agency's long term financial plan has assumed the sale of surplus property as a source of additional revenue to the subareas and proceeds from this transaction would be recorded as miscellaneous revenue in the East King County subarea; and

WHEREAS, negotiation with future developers for the development of housing will determine the development program requirements for these properties in advance of disposition; and

WHEREAS, the Board approval will be sought for any future agreement and/or disposition related to the subject real properties;

NOW THEREFORE BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that:

Section 1: The surplus properties are suitable for development as housing.

Section 2: Staff is hereby authorized to offer the surplus properties for sale at fair market value for the development of housing.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on _____.

Dow Constantine
Board Chair

Attest:

Kathryn Flores
Board Administrator

Resolution No. R2024-09
Exhibit A

Surrey Downs Site Depiction (current condition)



Surrey Downs Site Depiction (assumed future condition, post-Lot Boundary Adjustment)

